

Appendix II – State Agency Spending

Health care funding discussed in this report comes from the state and federal governments and other sources.

STATE FUNDS

“State funds,” as used in this study, refers to state appropriations from the General Revenue Fund, which contains both funds free for spending on various purposes and funds dedicated for specific uses.¹ The Texas budget cycle spans two-year periods and the state’s General Appropriations Act directs state spending over each period.²

FEDERAL FUNDS

The federal government reimburses state governments for some of the costs associated with delivering services and administering some health care programs. **Federal reimbursement programs** include Medicaid, Temporary Assistance for Needy Families (TANF) and the National School Lunch Program (NSLP). Such programs account for the majority of federal funds that come to Texas.

Federal grants are funds provided to state and local governments, nonprofit organizations, universities, research programs and sometimes to individuals, to support a public benefit or purpose such as health care services or research. The U.S. has more than a thousand grant programs offered through 26 different federal agencies.

Project grants, the most common type of federal grant, are awarded through a competitive application process and often support research and technological development projects as well as for higher education costs.

Formula grants are awarded according to formulas established in law. These formulas usually are based on the size of targeted popu-

lation, such as the number of people meeting income-based eligibility requirements for Medicaid funds.³ Not all federal funds received by state agencies are part of the appropriations process and these are not included in this report’s findings.

The **American Recovery and Reinvestment Act (ARRA) of 2009**, commonly called the federal stimulus legislation, was signed into law on February 17, 2009. Its intent was to stimulate the economy, save and create jobs, provide state and local governments with needed revenues and help households affected by the economic downturn.

As with all federal health care aid, some ARRA funds go to state governments while others go directly to community health centers, universities or health care providers. Some are distributed through formula funds and others through competitive grants. Various federal agencies disburse these funds, including the U.S. Centers for Medicare and Medicaid Services, Centers for Disease Control and Prevention, Health Resources and Services Administration, National Institutes of Health and the Office of the National Coordinator for Health Information Technology.

As of December 31, 2009, Texas had received an additional **\$2.7 billion** in Medicaid assistance funding and nearly **\$60 million** in non-Medicaid healthcare payments due to ARRA.⁴

OTHER FUNDS

Funds in the “other” category come from a variety of sources, including laboratory and administrative fees, interagency contracts, trust funds, bond proceeds and third-party collections, among others.

Exhibit 1 lists state, federal and other funds passing through the state Treasury and spent on health care in fiscal 2005 through 2009. These figures do not include funds outside of the state's budget. Total expenditures rose from **\$22.2 billion** in fiscal 2005 to **\$30.2 billion** in fiscal 2009, a **36.1 percent** increase. The state's share of those expenditures rose by **22.5 percent** over the same period.

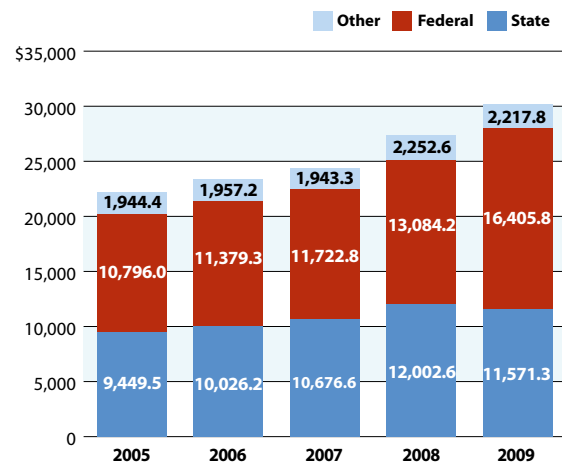
It is important to note, however, that the 36.1 percent growth figure does not reflect inflation occurring during the five-year period. **After adjustment for inflation, real health care spending rose by 23.9 percent** between fiscal 2005 and 2009.

Exhibit 1

Texas Health Care Expenditures by Method of Finance,

Fiscal 2005-2009

(in millions; no adjustment for inflation)



Note: Totals may not add due to rounding.

Source: Various state agencies; calculations performed by Texas Comptroller of Public Accounts.

STATE AGENCY PROFILES

To ensure that this analysis considered all goods, services and activities, program administration, research and other expenses related to health care, the review team requested data from 16 state agencies as well as several public and private higher education institutions that receive state assistance for health care purposes. Each was asked to provide expenditure data for fiscal 2005 through 2009 and by method of finance (state appropriations, federal funds or other source).

The review team's examination of health care expenditures included each agency listed in **Exhibit 2**. The following profiles contain information regarding each agency's role in health care and all state, federal and other health care dollars it receives from the state Treasury.

In addition to the agency profiles, this appendix also contains a profile on health care services provided by health-related institutions of higher education. Still another profile, on research expenditures at higher education institutions, discusses medical research spending at both general academic and health-related institutions (**Exhibit 3 and 4**).

Exhibit 2

State Agencies by General Appropriations Act Article

Article I-General Government Agencies

Employees Retirement System

State Office of Risk Management

Article II-Health & Human Service Agencies

Health and Human Services Commission

Department of Aging and Disability Services

Department of State Health Services

Department of Assistive and Rehabilitative Services

Department of Family Protective Services

Article III-Education Agencies

Teacher Retirement System

Texas Education Agency

Texas School for the Deaf

Texas School for the Blind and Visually Impaired

University of Texas

Texas A&M University

Health-Related Institutions of Higher Education that Fund Health Care Services

Institutions of Higher Education that Fund Health-Related Research

Article V-Public Safety and Criminal Justice Agencies

Texas Department of Criminal Justice

Texas Youth Commission

Texas Juvenile Probation Commission

Article VII-Business and Economic Development Agencies

Texas Department of Transportation

Texas Department of Rural Affairs

Source: Texas Comptroller of Public Accounts.

Exhibit 3

Texas Health Care Expenditures, All Funds, by Article

Fiscal 2005 through 2009 (in millions)

	2005	2006	2007	2008	2009
Article I-General Government Agencies					
Employees Retirement System	\$1,097.4	\$ 1,209.9	\$1,278.7	\$1,309.3	\$1,199.0
Workers' Compensation	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State Office of Risk Management	\$58.9	\$50.4	\$48.4	\$49.8	\$50.7
Article II-Health & Human Service Agencies					
Health and Human Services Commission	\$11,959.7	\$12,460.9	\$13,160.4	\$15,176.0	\$17,460.7
Department of Aging and Disability Services	4,560.2	4,891.3	5,024.1	5,323.0	5,886.0
Department of State Health Services	\$1,399.0	\$1,469.4	\$1,507.6	\$1,604.8	\$1,766.8
Department of Assistive and Rehabilitative Services	\$114.9	\$115.2	\$128.4	\$135.4	\$135.8
Department of Family Protective Services	\$0.8	\$1.4	\$1.3	\$1.9	\$1.9
Article III-Education Agencies					
Teacher Retirement System	\$266.6	\$215.7	\$238.2	\$254.8	\$267.6
Workers' Compensation	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Texas Education Agency	\$48.5	\$48.6	\$58.4	\$264.6	\$228.6
Texas School for the Deaf	\$2.8	\$2.9	\$3.5	\$3.2	\$3.3
Texas School for the Blind and Visually Impaired	\$0.8	\$0.9	\$2.0	\$3.8	\$4.6
University of Texas	\$234.1	\$254.7	\$276.5	\$292.0	\$298.2
Workers' Compensation	\$6.0	\$5.6	\$5.4	\$4.5	\$4.8
Texas A&M University	\$81.6	\$94.9	\$95.1	\$102.3	\$101.7
Workers' Compensation	\$2.9	\$3.3	\$2.8	\$2.9	\$3.1
Health-Related Institutions of Higher Education	\$1,624.2	\$1,754.0	\$1,676.4	\$2,025.3	\$1,932.1
Health-Related Research at Higher Education Institutions	\$196.7	\$237.1	\$240.2	\$288.0	\$272.4
Article V-Public Safety and Criminal Justice Agencies					
Texas Department of Criminal Justice	\$425.7	\$423.2	\$439.2	\$471.4	\$547.8
Texas Youth Commission	\$15.3	\$15.5	\$15.9	\$16.1	\$19.9
Texas Juvenile Probation Commission	\$1.9	\$2.0	\$1.9	\$1.9	\$1.9
Article VII-Business and Economic Development Agencies					
Texas Department of Transportation	\$83.4	\$97.8	\$130.3	0.0	0.0
Workers' Compensation	\$5.7	\$6.1	\$5.7	\$6.2	\$5.8
Texas Department of Rural Affairs	\$2.8	\$2.2	\$2.4	\$1.9	\$2.2
Total Expenditures	\$22,189.9	\$23,362.7	\$24,342.7	\$27,339.4	\$30,194.9

Source: Texas Comptroller of Public Accounts.

Exhibit 4

Texas Health Care Expenditures from General Revenue, by Article

Article Fiscal 2005 through 2009 (in millions)

	2005	2006	2007	2008	2009
Article I-General Government Agencies					
Employees Retirement System	\$755.8	\$840.2	\$890.4	\$915.4	\$786.3
Workers' Compensation	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State Office of Risk Management	\$46.8	\$44.4	\$39.6	\$41.3	\$43.1
Article II-Health & Human Service Agencies					
Health and Human Services Commission	\$4,487.3	\$4,757.6	\$5,169.9	\$5,989.0	\$5,765.8
Department of Aging and Disability Services	\$1,763.0	\$1,902.6	\$1,948.6	\$2,066.2	\$1,852.3
Department of State Health Services	\$822.0	\$866.6	\$905.6	\$1,007.1	\$1,105.8
Department of Assistive and Rehabilitative Services	\$32.2	\$32.9	\$36.7	\$41.2	\$40.7
Department of Family Protective Services	\$0.7	\$0.6	\$0.5	\$1.3	\$1.1
Article III-Education Agencies					
Teacher Retirement System	\$266.6	\$215.7	\$238.2	\$254.8	\$267.6
Workers' Compensation	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Texas Education Agency	\$48.5	\$48.6	\$58.4	\$264.6	\$228.6
Texas School for the Deaf	\$2.7	\$2.8	\$3.4	\$3.1	\$3.3
Texas School for the Blind and Visually Impaired	\$0.7	\$0.8	\$1.9	\$3.7	\$4.4
University of Texas	\$162.6	\$171.6	\$188.3	\$192.6	\$196.4
Workers' Compensation	\$3.8	\$3.7	\$3.4	\$3.3	\$3.4
Texas A&M University	\$75.3	\$87.5	\$89.2	\$93.6	\$94.7
Workers' Compensation	\$2.7	\$3.0	\$2.3	\$2.5	\$2.7
Health-Related Institutions of Higher Education	\$289.2	\$310.3	\$321.0	\$341.3	\$334.7
Health-Related Research at Higher Education Institutions	\$196.7	\$237.1	\$240.2	\$288.0	\$272.4
Article V-Public Safety and Criminal Justice Agencies					
Texas Department of Criminal Justice	\$418.5	\$419.1	\$435.8	\$467.4	\$538.0
Texas Youth Commission	\$15.3	\$15.5	\$15.9	\$16.1	\$19.9
Texas Juvenile Probation Commission	\$1.9	\$2.0	\$1.9	\$1.9	\$1.9
Article VII-Business and Economic Development Agencies					
Texas Department of Transportation	\$48.9	\$55.2	\$77.3	0.0	0.0
Workers' Compensation	\$5.7	\$6.1	\$5.7	\$6.2	\$5.8
Texas Department of Rural Affairs	\$2.8	\$2.2	\$2.4	\$1.9	\$2.2
Total Expenditures	\$9,449.5	\$10,026.2	\$10,676.6	\$12,002.6	\$11,571.3

Source: Texas Comptroller of Public Accounts.

Note: Figures represent expenditures funded through both general revenue and general revenue-dedicated funds.

EMPLOYEES RETIREMENT SYSTEM OF TEXAS

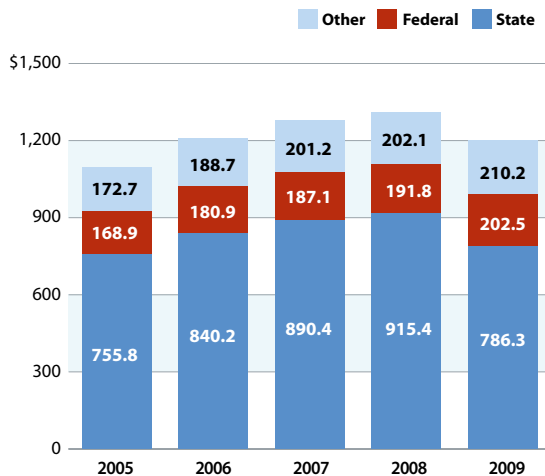
The state's cost for employee health insurance and pharmaceuticals includes all contributions to the Texas Employees Group Benefits Program (GBP) from state agencies and higher education institutions. The figures below do not include participant contributions such as co-pays, deductibles or dependent contributions. While the "Total" amount of funds represents agency contributions, the methods of finance for general state agencies are based on percentages provided by the Legislative Budget Board.

State dollars fund the majority of Employees Retirement System (ERS) group benefits, while federal and other sources make up smaller shares. From fiscal 2005 through 2009, state funds expended on GBP increased by 4.0 percent, while federal funds rose by 19.8 percent; "other" funds rose by 21.7 percent. ERS' combined health care expenditures increased by 9.3 percent over the five-year period (Exhibits 5 and 6).

Exhibit 5

Employees Retirement System Texas Employees Group Benefits Program Contributions by Method of Finance,

Fiscal 2005-2009 (in millions)



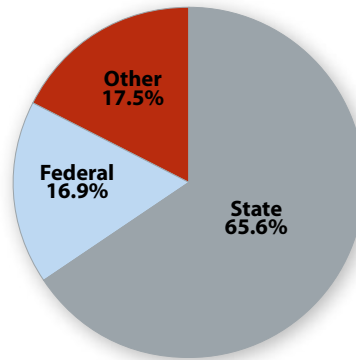
Note: Amounts represent agency contributions and do not include ERS contingency funds, local amounts, participant contributions or other funds.

Source: Employees Retirement System of Texas.

Exhibit 6

Employees Retirement System Source of Funds for Group Benefits Program Expenditures,

Fiscal 2009



Note: Amounts represent agency contributions and do not include ERS contingency funds, local amounts, participant contributions, or other funds.

Source: Employees Retirement System of Texas.

ERS administers its own workers' compensation program separately from those of other state agencies, funding it out of trust funds built from employee contributions. Consequently, these costs do not appear in the state budget for the agency.

ERS' own workers' compensation expenditures increased from \$1,337 in fiscal 2005 to \$2,407 in fiscal 2008, before dropping to zero in fiscal 2009.

STATE OFFICE OF RISK MANAGEMENT

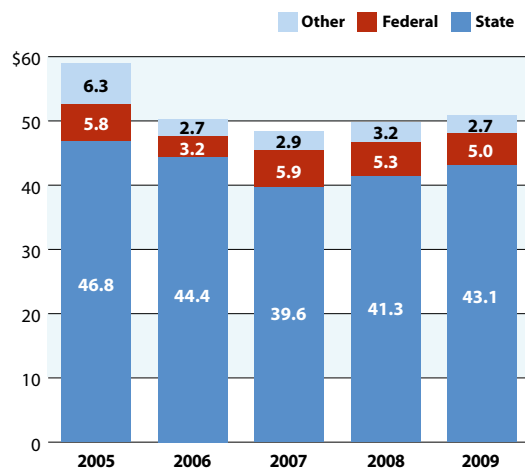
The State Office of Risk Management (SORM) manages workers' compensation for most state employees and provides risk management services to help their agencies avoid injuries and loss. (As noted in Chapter 1, the University of Texas and Texas A&M University systems, ERS, the Teacher Retirement System and the Texas Department of Transportation maintain their own workers' comp programs.)

SORM makes payments to cover medical treatments for on-the-job injuries and work-related illnesses. The agencies and institutions covered under the system reimburse SORM for these expenditures through interagency contracts. Because SORM processes the claims and pays the health care providers, however, **this report attributes such expenditures to that agency.**⁵

In addition to workers' compensation payments, the expenditures described below include SORM's administrative costs for processing and paying claims (**Exhibit 7**). SORM's total expenditures fell by **13.9 percent** between fiscal 2005 and 2009, with state, federal and other funding sources all decreasing. In fiscal 2009, state funds represented **85 percent** of the agency's expenditures (**Exhibits 7 and 8**).⁶

Exhibit 7

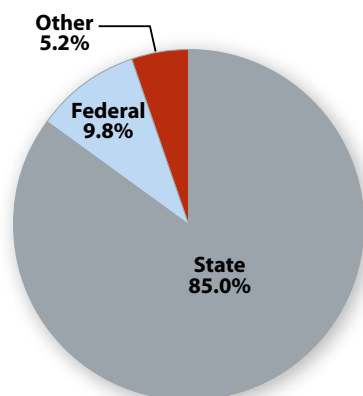
**State Office of Risk Management
Health Care Expenditures by Method of Finance,
Fiscal 2005-2009 (in millions)**



Source: State Office of Risk Management.

Exhibit 8

**State Office of Risk Management Source of
Funds for Health Care Expenditures,
Fiscal 2009**



Source: State Office of Risk Management.

TEXAS HEALTH AND HUMAN SERVICES COMMISSION

The 1991 Texas Legislature created the Health and Human Services Commission (HHSC) to oversee the state's health and human services system. HHSC's primary goals include overseeing and improving health and human services; improving the efficiency and effectiveness of the state Medicaid program; expanding health insurance to uninsured Texas children; and promoting long-term independence for families.

HHSC administers the state's **Medicaid** plan, the second-largest Texas state government function. Medicaid pays for acute health care (physician, inpatient, outpatient, drug and lab) and long-term care services for aged and disabled clients. The federal share of the jointly financed program is determined annually, based on a comparison of average state per capita income to the U.S. average. This ratio is called the **federal medical assistance percentage (FMAP)**, and each state's FMAP is different. Due to the size of Texas' Medicaid program, even small changes in the FMAP can add or subtract millions of dollars from the state's federal funding.

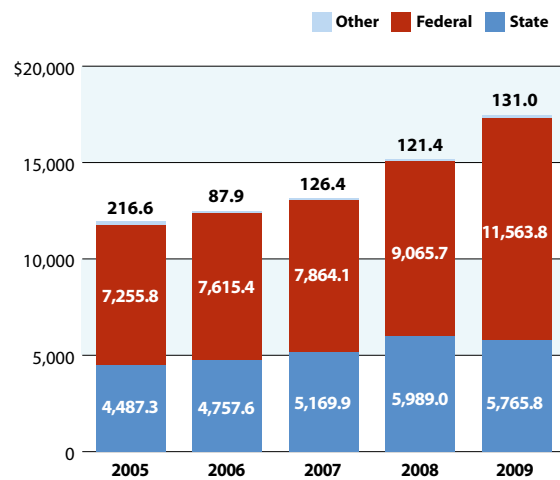
In addition to Medicaid, HHSC has oversight responsibilities for four agencies — the Department of Aging and Disability Services, Department of State Health Services, Department of Family and Protective Services and Department of Assistive and Rehabilitative Services — that also deliver services for Texas Medicaid.⁷

HHSC's health care spending totaled **\$17.5 billion in fiscal 2009**, with state funds accounting for **\$5.8 billion (33 percent)** and federal funds accounting for **\$11.6 billion (66.2 percent)** and **\$131 million (approximately 1 percent)** in other funds. From fiscal 2005 to 2009, the amount of state funds spent on HHSC's health care programs rose by **28.5 percent**, although state funding fell slightly from 2008 to 2009 as a result of an enhanced federal match from the American Recovery and Reinvestment Act of 2009.

Federal funding rose by **59.4 percent** over the same five-year period, with a 27.6 percent increase from 2008 to 2009 alone. In all, HHSC's health care spending rose by **46 percent** from 2005 to 2009 (**Exhibits 9 and 10**).

Exhibit 9

Texas Health and Human Services Commission Health Care Expenditures by Method of Finance,

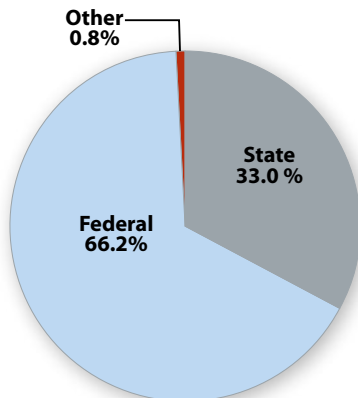


Source: Texas Health and Human Services Commission.

Fiscal 2005-2009 (in millions)

Exhibit 10

Texas Health and Human Services Commission Source of Funds for Health Care Expenditures,



Source: Texas Health and Human Services Commission.

Fiscal 2009

TEXAS DEPARTMENT OF AGING AND DISABILITY SERVICES

The 2003 Legislature reorganized the state's health and human services agencies. One part of this reorganization merged certain functions of two previous agencies into the Department of Aging and Disability Services (DADS).⁸

While DADS pays for nursing home and hospice care and state school services in institutional settings, its primary focus is on developing **long-term care services** and supports in the home and community, since such approaches are far more cost-effective. Many DADS clients are eligible for Medicaid, which pays for both acute and long-term care.⁹ The number of DADS clients receiving Medicaid services in home and community settings since 2002 has increased, while the number of those receiving care in institutional settings such as nursing homes and state schools have declined.¹⁰

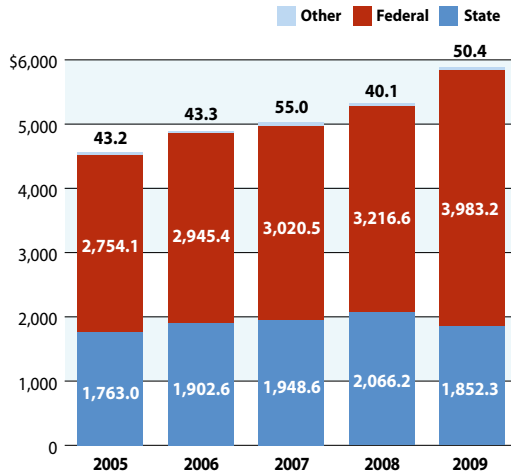
DADS receives funds from several sources including state general revenue and the federal government. State funds are required as a match to draw down federal funds for Medicaid, which provides the majority of funding for long-term care services and support for the elderly and disabled. In the 2008-2009 biennium, about **93 percent or \$10.8 billion** of DADS' appropriations were for Medicaid expenditures.

Between fiscal 2005 and 2009, state funds expended on health care at DADS rose by **5.1 percent**. Federal funds rose by **44.6 percent** during the same period. In all, DADS health care expenditures rose from **\$4.6 billion** in fiscal 2005 to **\$5.9 billion** in fiscal 2009, a 29.1 percent increase. In fiscal 2009, federal funding sources accounted for **67.7 percent** of health care spending at DADS (**Exhibits 11 and 12**).

Exhibit 11

Texas Department of Aging and Disability Services Health Care Expenditures by Method of Finance,

Fiscal 2005-2009 (in millions)

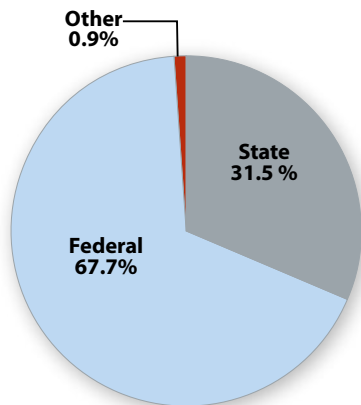


Source: Texas Department of Aging and Disability Services.

Exhibit 12

Department of Aging and Disability Services Source of Funds for Health Care Expenditures,

Fiscal 2009



Source: Texas Department of Aging and Disability Services.

TEXAS DEPARTMENT OF STATE HEALTH SERVICES

The Texas Department of State Health Services (DSHS) is another product of the 2003 Legislature's reorganization of the Texas health and human services system. DSHS, which came into existence in 2004, is responsible for dozens of

public health programs and services, many of them falling within the definition of health care.

DSHS spending for health care falls into four major categories:

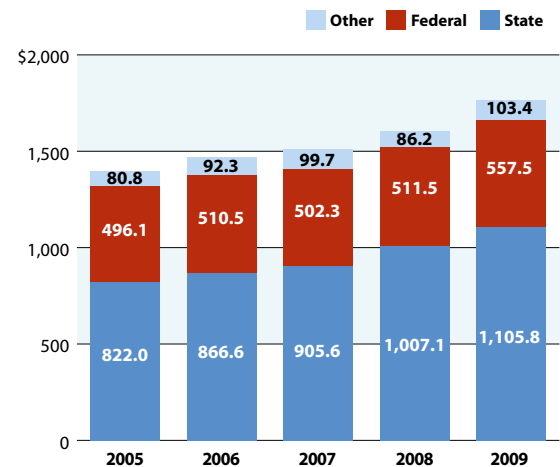
- **community health services** – programs that serve individuals as well as the community as a whole;
- **preparedness and prevention** – programs to prevent health threats and disease;
- **Hospital facilities and services** – programs that treat those suffering from mental disease; and
- **consumer protection services** – programs that ensure regulatory compliance to protect public health and safety.¹¹

State spending shown in **Exhibit 13** includes both general revenue and dedicated funds within general revenue. DSHS expenditures rose by **26.3 percent** from fiscal 2005 to 2009. State-funded expenditures rose by **34.5 percent**, while federal spending grew by **12.4 percent** and other expenditures grew by 27.9 percent. State revenues accounted for **62.6 percent** of the agency's health care expenditures during the five-year period (**Exhibit 13**).

Exhibit 13

Texas Department of State Health Services Health Care Expenditures by Method of Finance,

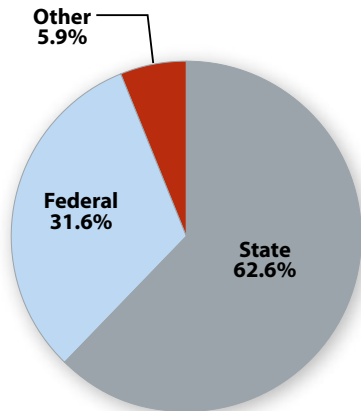
Fiscal 2005-2009 (in millions)



Source: Texas Department of State Health Services.

Exhibit 14

**Texas Department of State Health Services
Source of Funds for Health Care Expenditures,
Fiscal 2009**



Source: Texas Department of State Health Services.

**TEXAS DEPARTMENT OF ASSISTIVE AND
REHABILITATIVE SERVICES**

The Texas Department of Assistive and Rehabilitative Services (DARS) provides a range of **support services for Texans with disabilities and children with developmental delays**. The agency is organized into four divisions: the Division for Rehabilitation Services (DRS), the Division for Blind Services (DBS), the Division for Disability Determination Services (DDS) and the Division for Early Childhood Intervention (ECI).

DRS, DBS and DDS administer services that help the blind, the deaf and those with other disabilities obtain the resources and skills they need to find work and live independently in their communities. Through the ECI program, children with special needs receive assistance in achieving developmental goals.¹²

DRS and DBS both administer vocational rehabilitation and independent living programs. The **vocational rehabilitation** programs offer counseling, medical services, assistive devices and other services to help individuals find and keep work. The **independent living** programs provide counseling and assistive equipment and technologies that help people with disabilities live on their own and achieve self-sufficiency.

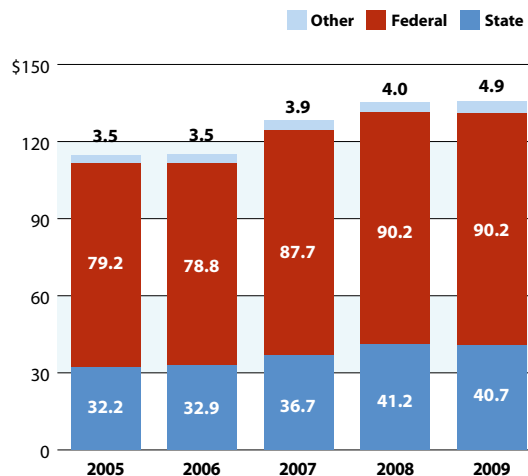
DRS also provides **therapy** to individuals that have suffered debilitating spinal cord and brain injuries through its Comprehensive Rehabilitation Services¹³. And ECI provides **services for children** up to three years old with developmental delays through contracts with health professionals including physical therapists, occupational therapists, speech-language pathologists, nurses, dietitians, counselors and hearing and vision specialists.¹⁴

DARS health expenditures occurred and were reported in the DRS, DBS, ECI and Comprehensive Rehabilitation programs.

The amount of state funds DARS expended on health care from fiscal 2005 to 2009 rose by **26.7 percent**. Federal funds spent during the same period rose by **13.9 percent**. DARS' total health care costs increased by **18.3 percent** from 2005 to 2009. Federal funds represented the largest source of DARS health care spending, followed by state funds and other funding sources (**Exhibits 15 and 16**).

Exhibit 15

**Texas Department of Assistive and
Rehabilitative Services Health Care
Expenditures by Method of Finance,
Fiscal 2005-2009 (in millions)**

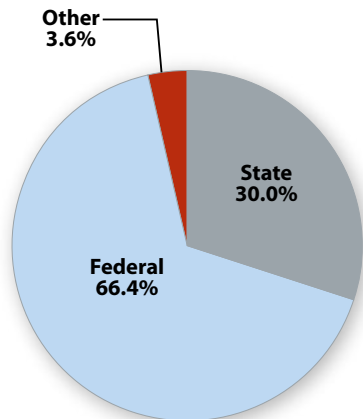


Source: Texas Department of Assistive and Rehabilitative Services.

Exhibit 16

Texas Department of Assistive and Rehabilitative Services Source of Funds for Health Care Expenditures,

Fiscal 2009



Source: Texas Department of Assistive and Rehabilitative Services.

TEXAS DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES

The Texas Department of Family and Protective Services (DFPS) is responsible for **protecting children, elderly adults and individuals with disabilities from abuse and neglect**. DFPS clients receive medical, psychological and substance abuse treatment and prevention counseling services.

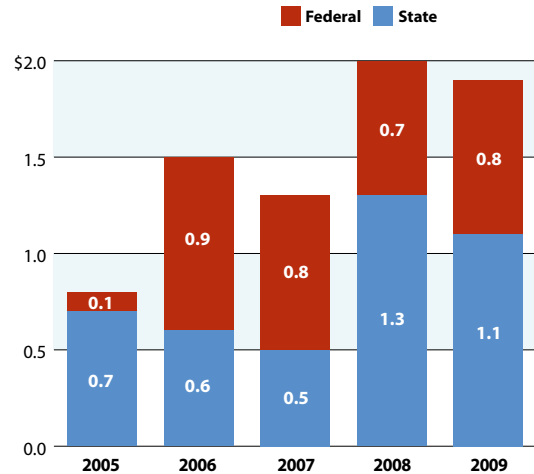
DFPS' medical and psychological counseling services are provided almost entirely through Medicaid, and therefore these expenditures are included in the Health and Human Services Commission's costs. DFPS participates in the administration of health services to clients, however, and employs a medical director and staff to oversee their care and provide substance abuse treatment and prevention counseling.¹⁵

DFPS' state-funded expenditures for health care rose by **57 percent** from fiscal 2005 to 2009. Federally funded expenditures of federal funds ballooned by **655.1 percent**, due to increased spending for substance abuse prevention and treatment as well as new federal funding for a medical director and health care administration. In all, DFPS health care expenditures rose by **133.3 percent** during these years (**Exhibits 17 and 18**).

Exhibit 17

Texas Department of Family and Protective Services Health Care Expenditures by Method of Finance,

Fiscal 2005-2009 (in millions)

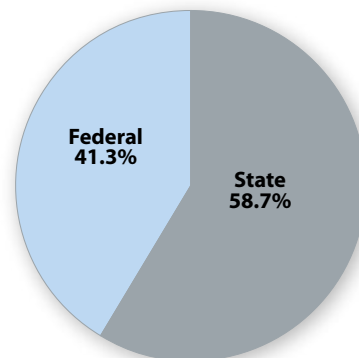


Source: Texas Department of Family and Protective Services.

Exhibit 18

Texas Department of Family and Protective Services Source of Funds for Health Care Expenditures,

Fiscal 2009



Source: Texas Department of Family and Protective Services.

TEACHER RETIREMENT SYSTEM OF TEXAS

The Teacher Retirement System of Texas offers **health and long-term care benefits to public school employees, retirees and their dependents** through two health insurance plans: the Texas Active School Employees Uniform Group Benefits Program (TRS-Active Care) for current employees and their dependents, and the Texas Public School Retired Employees Group Insurance Program (TRS-Care) for retirees and their dependents.

TRS-Active Care, which began operations in 2002, covers public school employees, including those of school districts, open-enrollment charter schools, regional education service centers and other educational districts that are members of TRS. The plan initially focused on smaller school districts, where affordable health care coverage was often hard to find, and later expanded to larger school districts.

As of September 1, 2009, TRS-Active Care covered **378,378** participants at **1,098** participating entities. BlueCross BlueShield of Texas administers the health plan while Medco Health Solutions administers the pharmacy benefit. Participating entities can choose from four preferred provider organization plans and, in certain areas, employees also have the option of using a health maintenance organization. Health benefits for TRS-Active Care are paid by members, school districts and the state (for state funding, see the Texas Education Agency).

TRS-Care is a self-funded health insurance program for school district retirees established in 1985 and administered by TRS. In fiscal 2009, the program covered **198,819** retirees, surviving spouses, surviving children and dependent spouses and children. TRS contracts with Aetna to acquire discounted health care services through its provider network and with Caremark for pharmacy benefits.¹⁶

TRS-Care's Health Benefits Trust Fund receives state contributions from general revenue equal to 1 percent of the salaries of all public education employees. These funds are used to pay for TRS'

health care administrative expenses. In fiscal 2009, the state contributed **\$267.6 million** to TRS-Care. Administrative expenses for TRS-Care are paid from the program's enterprise fund, which does not receive state appropriations.¹⁷

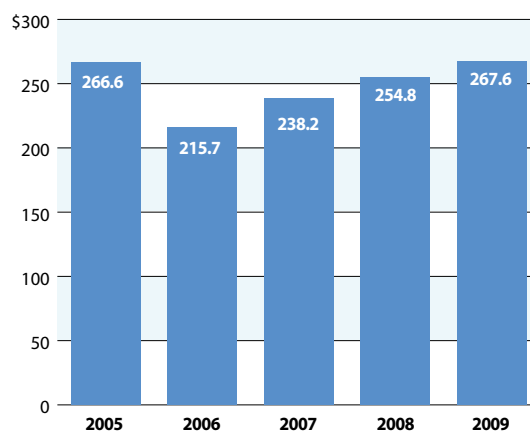
From fiscal 2005 to 2009, TRS' health care expenditures rose by **0.4 percent**. Spending fell from fiscal 2005 to 2006, from \$266.6 million to \$215.7 million, but bounced back in fiscal 2007. TRS' health care expenses at TRS are funded by state general revenue (**Exhibit 19**).

TRS, unlike most state agencies, runs its own self-insured workers' compensation program. Payments for medical care and wage replacement stemming from work-related injury or illness come from the TRS Trust Account, funded in the state budget specifically for the retirement system's administrative operations (**Exhibit 20**).¹⁸

Exhibit 19

Teacher Retirement System of Texas Employee Health Benefit Expenditures by Method of Finance,

Fiscal 2005-2009 (in millions)

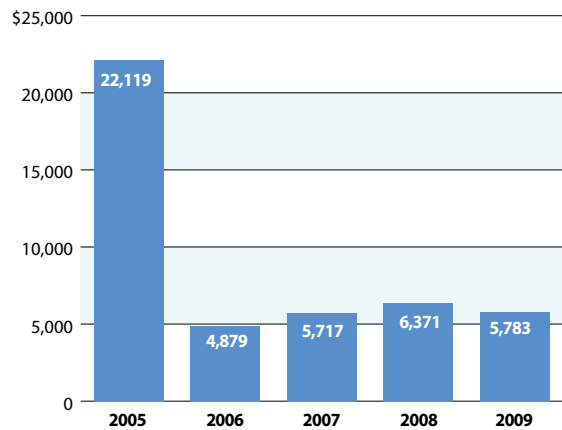


Source: Teacher Retirement System of Texas.

Exhibit 20

Teacher Retirement System of Texas Worker's Compensation Expenditures by Method of Finance,

Fiscal 2005-2009 (in millions)



Source: Teacher Retirement System of Texas.

TEXAS EDUCATION AGENCY

The Texas School Employees Uniform Group Health Coverage Act, created by the 2001 Legislature, established **uniform group health coverage for Texas school district employees**. The program is funded by state, district and employee contributions.

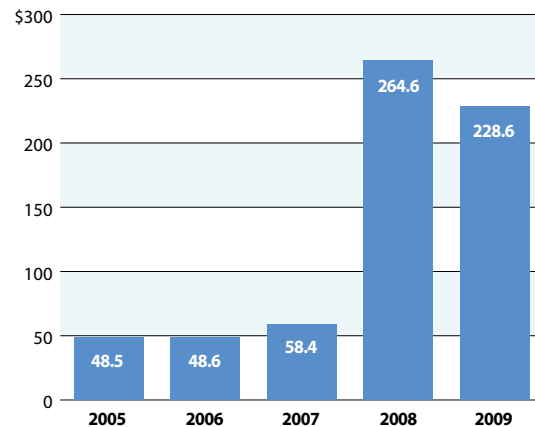
The state contributes about **\$900** each fiscal year for each employee of participating school districts, charter schools, regional education service centers and educational districts. The state's contribution is delivered through school funding formulas and paid in monthly installments.¹⁹

In fiscal 2005, state expenditures on health benefits for Texas school employees totaled **\$48.5 million**. Between fiscal 2007 and 2008, state funding for this program rose more than fourfold due to changes in funding formulas. The state spent **\$228.6 million** on these benefits in fiscal 2009, for an increase of **371.6 percent** over the five-year period (**Exhibit 21**).

Exhibit 21

Texas School Employees Health Benefit Expenditures by Method of Finance,

Fiscal 2005-2009 (in millions)



Source: Texas Education Agency.

TEXAS SCHOOL FOR THE DEAF

The Texas School for the Deaf (TSD) opened in 1857 with four students, and has grown to serve about 500 students, both Austin-area residents and boarding students.

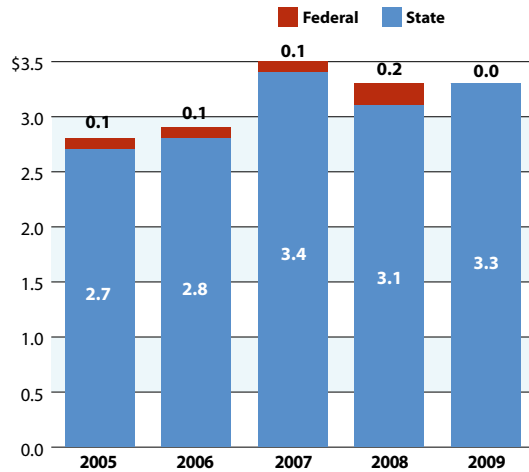
TSD's Student Support Services Division oversees the school's **counseling, health and speech and audiology services**. The school employs nurses, a physician's assistant, an optometrist, physical therapist and other specialists. Because many students live at the school during weekdays, access to a regular health care provider is essential, particularly since some students have multiple disabilities that require around-the-clock care and intensive therapy.²⁰

TSD's health care expenditures, the majority of which are state-funded, rose by **19.5 percent** from fiscal 2005 to 2009. During this period, state expenditures rose from **\$2.7 million** to **\$3.3 million**, a **22.4 percent** increase. Federal sources represented only 1.1 percent of TSD's health care expenditures in fiscal 2009 (**Exhibits 22 and 23**).

Exhibit 22

Texas School for the Deaf Health and Therapy Expenditures by Method of Finance,

Fiscal 2005-2009 (in millions)

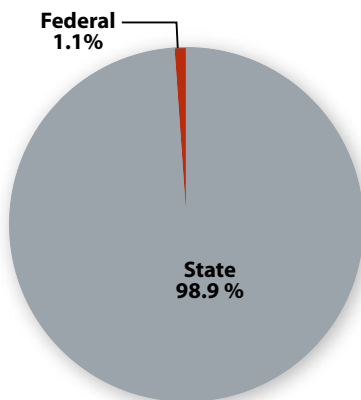


Source: Texas School for the Deaf.

Exhibit 23

Texas School for the Deaf Source of Funds for Health Care Expenditures,

Fiscal 2009



Source: Texas School for the Deaf.

TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

The Texas School for the Blind and Visually Impaired (TSBVI) offers **educational services to children aged six through 21 who have visual impairments**. TSBVI offers comprehensive residential programs during the school year, as well as short-term and summer programs for children who attend other schools. It also offers post-secondary training for students out of high school.²¹

The school has an on-site clinic that provides health care services for students. It supplies this clinic with vaccines and other medicines and contracts with physicians to provide services.

TSBVI also participates in a Medicaid program called School Health and Related Services (SHRS) that reimburses the school for health-related educational expenses. While most of the school's services are strictly educational, some services are Medicaid-reimbursable under this program, such as occupational therapy, physical therapy, counseling and personal services. The school also receives funding for administrative expenses related to SHRS participation.

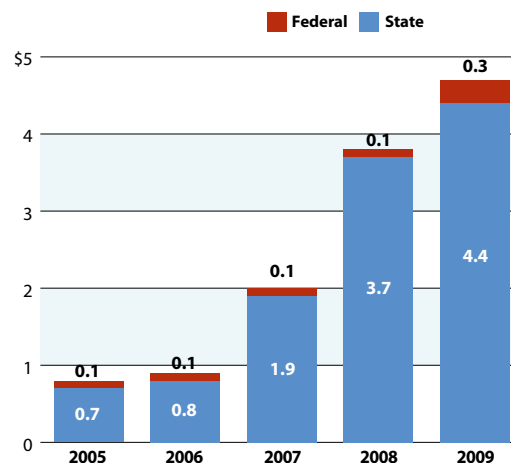
TSBVI's health care-related expenditures rose by **471.2 percent** between fiscal 2005 and 2009.

State-funded expenditures experienced notable increases beginning in fiscal 2007 because TSBVI began reporting SHRS costs to HHSC in that year; in prior years, it did not report such costs. Expenditures for fiscal 2005 and 2006 include estimates of SHRS services that would have been reported to HHSC in 2007 or later; these estimates, however, do not include personal care services, which represent a large share of SHRS services (**Exhibit 24 and 25**).

Exhibit 24

Texas School for the Blind and Visually Impaired Health Care Expenditures by Method of Finance,

Fiscal 2005-2009 (in millions)

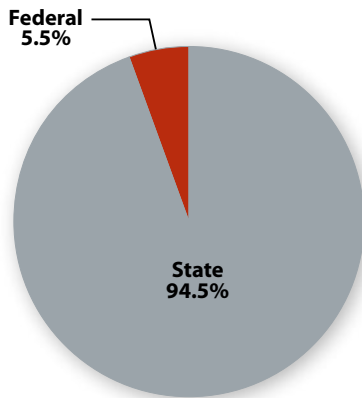


Source: Texas School for the Blind and Visually Impaired.

Exhibit 25

Texas School for the Blind and Visually Impaired Source of Funds for Health Care Expenditures,

Fiscal 2009



Source: Texas School for the Blind and Visually Impaired.

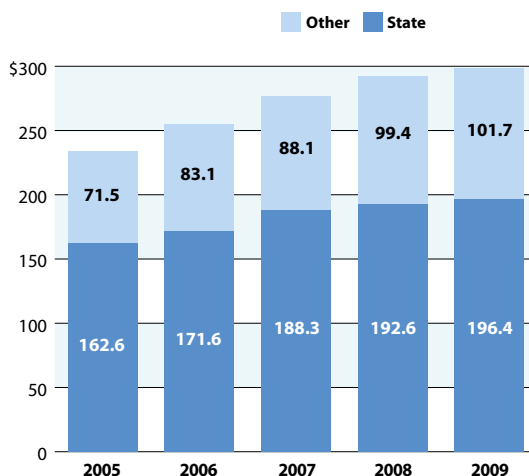
UNIVERSITY OF TEXAS SYSTEM

The UT System provided health care for about **173,002** participants in fiscal 2009. The system's health insurance, administered by BlueCross BlueShield of Texas, provides medical and

Exhibit 26

University of Texas System Health Benefits Expenditures by Method of Finance,

Fiscal 2005-2009



Source: University of Texas System.

prescription drug coverage. System employees receive a basic insurance package that includes health insurance, life insurance and accidental death and dismemberment insurance. The UT system covers

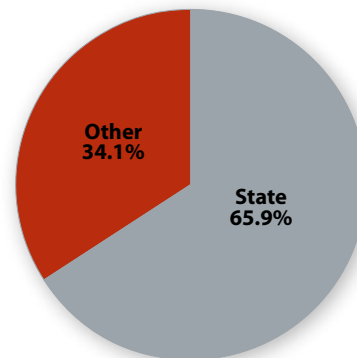
100 percent of premiums for full-time employees and 50 percent for part-time employees.²²

The system's state health-related expenditures rose by **20.8 percent** between fiscal 2005 and 2009, while spending from other funding sources increased by **42.3 percent**. In all, spending on UT system employee health benefits rose by **27.4 percent**, from **\$234.1 million** in 2005 to **\$298.2 million** in 2009 (Exhibits 26 and 27).

Exhibit 27

University of Texas System Health Care Expenditures by Source of Funds,

Fiscal 2009



Source: University of Texas System.

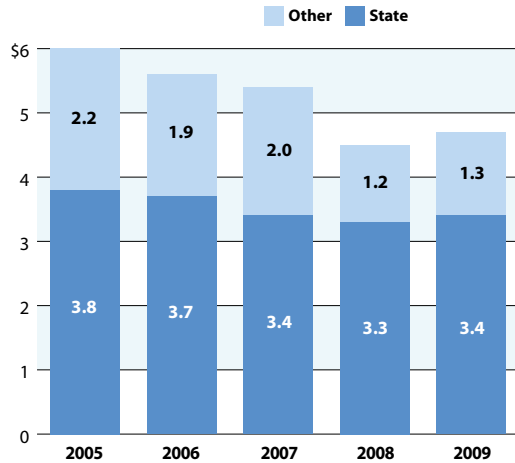
As noted previously, the UT system covers its employees with a separate workers' compensation program. The program is funded by an annual payment made by each institution in the system, based on its total payroll. The system's program has its own staff that administers it from offices in Dallas, Houston, Austin and El Paso. As with other workers' comp insurance, the UT system program pays for medical care resulting from work-related injuries or illness, replaces lost income and, in the event of the worker's death, provides funeral and surviving spouse benefits.²³

Workers' compensation expenditures in the UT system fell by **20.4 percent** between fiscal 2005 and 2009. State expenditures, which comprise the majority of this spending, fell from **\$3.8 million** to **\$3.4 million** (Exhibits 28 and 29).

Exhibit 28

University of Texas System Workers' Compensation Expenditures by Method of Finance,

Fiscal 2005-2009 (in millions)

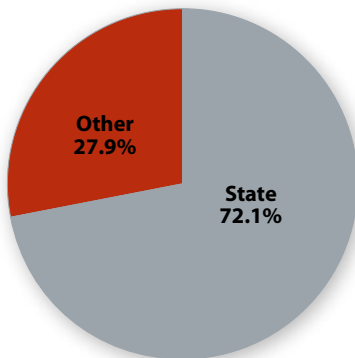


Source: University of Texas System.

Exhibit 29

University of Texas System Source of Funds for Worker's Compensation Expenditures,

Fiscal 2009



Source: University of Texas System.

TEXAS A&M UNIVERSITY SYSTEM

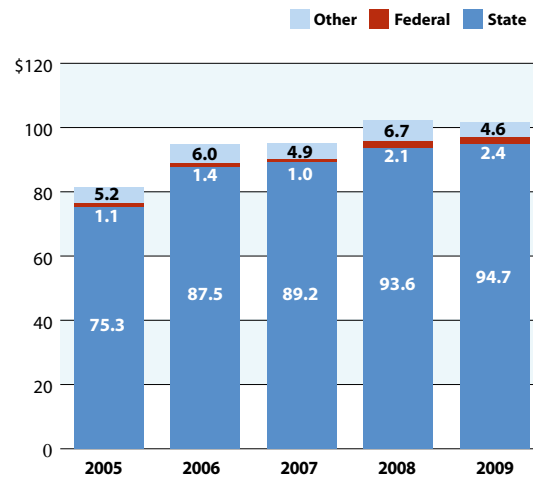
The Texas A&M University System covered **56,292 participants** in fiscal 2009, including employees, retirees, survivors and dependents. The system administers two self-funded health insurance programs for university employees. The programs, both part of the BlueCross BlueShield of Texas BlueChoice network, cover the same services but carry different premiums, deductibles and out-of-pocket expenses.²⁴

Between fiscal 2005 and 2009, state spending on Texas A&M University System health care rose by **25.8 percent**, from **\$75.3 million** to **\$94.7 million**. Federal funds rose by **124.5 percent** in the same years. Total system health care expenditures rose by **24.6 percent**, from **\$81.6 million** in fiscal 2005 to **\$101.7 million** in fiscal 2009 (**Exhibits 30 and 31**).

Exhibit 30

Texas A&M University System Health Benefits Expenditures by Method of Finance,

Fiscal 2005-2009 (in millions)

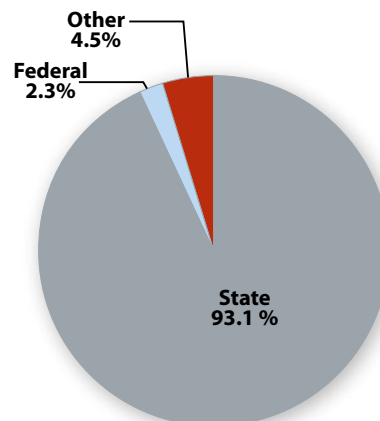


Source: Texas A&M University System.

Exhibit 31

Texas A&M University System Health Benefits Expenditures by Method of Finance,

Fiscal 2005-2009 (in millions)



Source: Texas A&M University System.

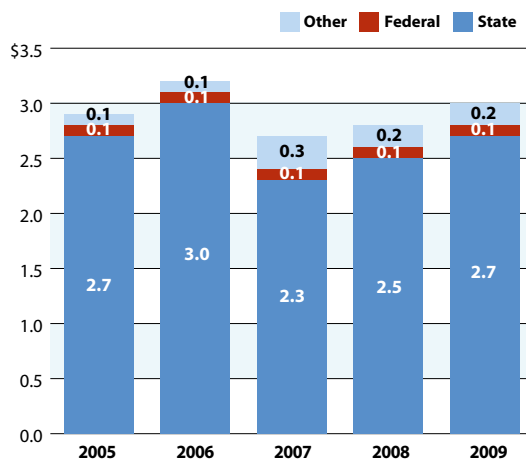
Texas A&M University System maintains its own self-insured workers' compensation program. Each member institution of the system pays an annual assessment against its payroll into a fund used to cover the costs of workers' compensation insurance.²⁵

The A&M system's total workers' compensation expenditures rose by **3.5 percent** from fiscal 2005 to 2009. State expenditures, which comprise the majority of this spending, rose by **0.7 percent** during these years (**Exhibits 32 and 33**).

Exhibit 32

Texas A&M University System Workers' Compensation Expenditures by Method of Finance,

Fiscal 2005-2009 (in millions)

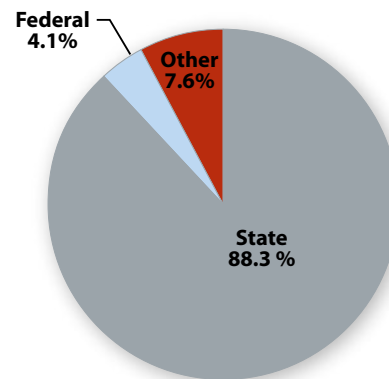


Source: Texas A&M University System.

Exhibit 33

Texas A&M University System Source of Funds for Worker's Compensation Expenditures,

Fiscal 2009



Source: Texas A&M University System.

HEALTH-RELATED INSTITUTIONS OF HIGHER EDUCATION

Texas has nine public health-related institutions, six of them part of the University of Texas System (**Exhibit 34**). These institutions provide medical care through **hospitals, patient care centers, dental clinics and laboratories**. They also administer **residency programs** in which graduate medical students offer health care services to the public as part of their training.

Exhibit 34

Health-Related Institutions of Higher Education
UT Southwestern Medical Center Dallas
UT Medical Branch at Galveston
UT Health Science Center Houston
UT Health Science Center San Antonio
UT MD Anderson
UT Health Science Center Tyler
Texas A&M Health Science Center
UNT Health Science Center Fort Worth
Texas Tech University Health Sciences Center

Source: Texas Higher Education Coordinating Board.

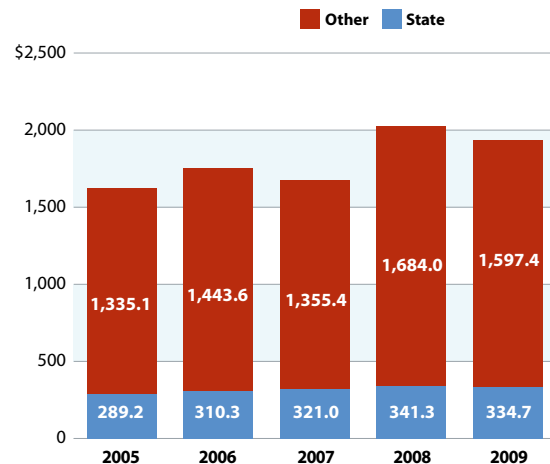
Exhibit 35 shows health care expenditures at these institutions for fiscal 2005 through 2009. Spending rose from **\$1.6 billion** in 2005 to more than **\$1.9 billion** in 2009, an increase of **19 percent**.

Other funding sources accounted for **82.7 percent** of this spending (**Exhibit 36**).

Exhibit 35

Health-Related Institutions Health Care Expenditures by Method of Finance,

Fiscal 2005-2009

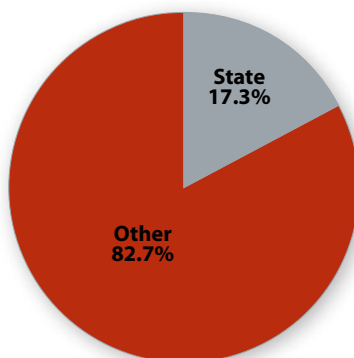


Source: Texas Higher Education Coordinating Board.

Exhibit 36

Health-Related Institutions of Higher Education Source of Funds for Health Care Expenditures,

Fiscal 2009



Source: Texas Higher Education Coordinating Board.

HEALTH-RELATED RESEARCH AT HIGHER EDUCATION INSTITUTIONS

In 2009, Texas universities spent **\$272.4 million** in state-appropriated funds on health-related research activities, in both biology and other life sciences and the medical sciences. Health-related institutions accounted for the bulk of this spending, at **87.3 percent** or **\$237.8 million**. General academic

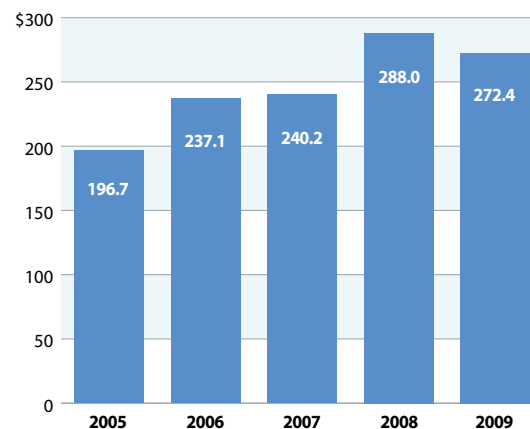
institutions accounted for the other **12.7 percent**, with **\$34.6 million** in state-appropriated funds.

Exhibit 37 shows total state-funded health research spending at both general academic institutions and health-related institutions, which rose by **38.5 percent** from fiscal 2005 to 2009. Each university is required by law to report its research expenditures to the Texas Higher Education Coordinating Board, which supplied the data seen in **Exhibit 37**. (Again, note that these figures do not include federal and other revenues sent directly to the institutions and not affecting the state budget.)

Exhibit 37

General Academic and Health-Related Institutions Health Research Expenditures by Method of Finance, Fiscal

2005-2009 (in millions)



Source: Texas Higher Education Coordinating Board.

Research Spending at Health-Related Institutions

Texas has **10 health-related institutions of higher education**, including nine public universities and one private medical university. Between fiscal 2005 and 2009, some universities saw considerable increases in health-related research expenditures, while others saw decreases (**Exhibit 38**). Because funds for health-related research often are granted on a per-project basis, year-to-year fluctuations are not unusual.²⁶

Exhibit 38

Health-Related Institutions Health Research Expenditures

Fiscal 2005 through 2009

Institution	2005	2006	2007	2008	2009
Baylor College of Medicine	\$3,184,034	\$3,219,928	\$3,341,789	\$3,678,260	\$3,734,139
Texas A&M Health Science Center	9,402,090	12,759,940	10,637,229	12,421,408	12,516,134
Texas Tech University Health Science Center	7,056,205	6,878,470	5,709,137	6,448,824	15,753,945
UNT Health Science Center Fort Worth	0	0	0	0	0
UT Health Science Center Tyler	2,594,710	2,474,104	2,186,595	2,339,673	2,339,673
UT MD Anderson	86,518,485	102,782,480	111,883,873	126,516,147	133,154,491
UT Southwestern Medical Center Dallas	22,175,022	32,011,457	35,489,927	43,346,304	41,927,464
UT Health Science Center Houston	7,435,961	11,398,537	17,490,340	22,118,120	22,822,331
UT Health Science Center San Antonio	4,406,613	7,335,908	5,591,192	4,571,609	4,550,183
UT Medical Branch at Galveston	10,770,800	9,940,144	1,429,512	5,762,651	971,126
Texas Alzheimer's Research Consortium	0	2,000,000	0	3,900,000	0
Total Expenditures	\$153,543,920	\$190,800,968	\$193,759,594	\$231,102,996	\$237,769,486

Note: These research expenditures are from funds appropriated by the Texas Legislature. The Texas Alzheimer's Consortium is a collaborative effort among Baylor College of Medicine in Houston, Texas Tech University Health Sciences Center in Lubbock, University of Texas Southwestern Medical Center in Dallas, University of North Texas Health Science Center in Fort Worth and the University of Texas Health Science Center at San Antonio.

Source: Texas Higher Education Coordinating Board.

Research Spending at General Academic Institutions

Forty-two general academic senior colleges report research expenditures to the Texas Higher Education Coordinating Board, including 35 public institutions and seven private universities. General academic institutions carry out research on a variety of subjects, and their investment in health-related research is less consistent than that of health-related institutions.

Between fiscal 2005 and 2009, **17 universities** reported health research expenditures every year (**Exhibit 39**). None of the seven private universities reported any state funded health-related research expenditures during the review period.

Exhibit 39

Texas General Academic Institutions Health Research Expenditures

Fiscal 2005 through 2009

Institution	2005	2006	2007	2008	2009
Angelo State	\$44,084	\$59,760	\$64,670	\$81,792	\$85,656
Lamar	9,684	379	5,435	17,039	0
Midwestern State	0	0	0	0	0
Prairie View A&M	0	0	0	0	0
Sam Houston State	18,954	0	0	0	0
Stephen F. Austin State	0	112,353	171,075	330,813	397,955
Sul Ross - Rio Grande	0	0	0	3,077	6,918
Sul Ross State	62,780	62,848	7,227	21,199	32,387
Tarleton State	0	37,855	55,602	69,252	28,931
Texas A&M	35,628,812	37,599,792	35,686,497	45,540,353	18,055,720
Texas A&M at Galveston	0	0	0	0	0
Texas A&M International	0	0	0	0	0
Texas A&M-Commerce	2,017	1,008	22,821	36,349	4,000
Texas A&M-Corpus Christi	0	286,276	271,873	282,186	55,648
Texas A&M-Kingsville	98,306	30,203	133,866	365,968	428,082
Texas A&M-Texarkana	0	0	0	0	0
Texas Southern	0	0	0	0	0
Texas State University - San Marcos	48,917	169,284	210,464	279,577	190,678
Texas Tech	929,365	971,051	1,141,594	949,861	2,559,038
Texas Woman's	199,510	124,429	120,923	145,809	190,027
Univ. of Houston	466,296	605,917	1,065,000	1,369,557	2,439,450
Univ. of Houston-Clear Lake	4,069	2,103	65,820	28,320	46,501
Univ. of Houston-Downtown	40,852	0	0	0	0
Univ. of Houston-Victoria	0	0	0	0	0
University of North Texas	0	0	28,520	21,456	1,254,726
UT at Arlington	228,175	166,106	185,563	43,754	43,754
UT at Austin	1,628,018	1,664,013	2,118,098	2,068,812	2,698,071
UT at Brownsville	0	0	0	203,967	172,267
UT at Dallas	1,892,593	1,283,577	967,248	1,374,230	2,139,506
UT at El Paso	653,548	739,523	775,108	903,789	895,875
UT at San Antonio	812,110	1,516,730	2,520,080	2,190,922	2,502,012
UT at Tyler	0	0	0	0	0
UT of the Permian Basin	0	2,000	0	0	0
UT-Pan American	242,503	805,359	629,177	410,147	153,615
West Texas A&M	99,210	90,981	177,686	125,792	210,827
Total Expenditures	\$43,109,803	\$46,331,547	\$46,424,347	\$56,864,021	\$34,591,644

Note: Research expenditures are from funds appropriated by the Texas Legislature.

Source: Texas Higher Education Coordinating Board.

TEXAS DEPARTMENT OF CRIMINAL JUSTICE

The Texas Department of Criminal Justice (TDCJ) provides **medical care, psychiatric services and substance abuse counseling for incarcerated individuals**, covering **150,568 inmates** as of the end of fiscal 2009. TDCJ has infirmaries on site at each of its locations that offer basic and routine medical care. It contracts with the University of Texas Medical Branch at Galveston (UTMB) and Texas Tech University to provide extended and complex care for individuals who cannot be treated at its infirmaries. These contracts also provide medication and psychiatric aid.

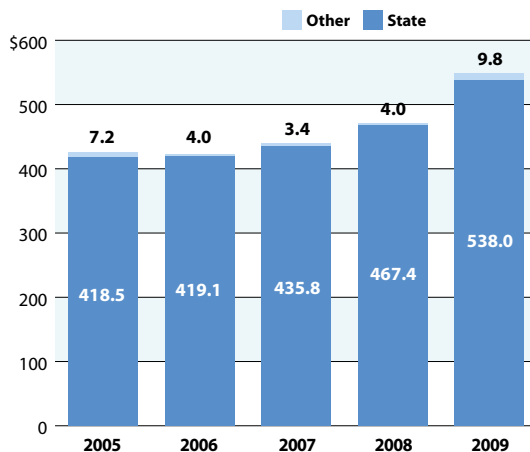
Substance abuse is a common and growing problem among the incarcerated. TDCJ has developed programs to fight drug and alcohol dependency among its charges. Its In-Prison Therapeutic Community program is open to offenders who are approved by the Board of Pardons and Paroles for release upon completing the plan. This process often leads to outpatient programs after release.²⁷

TDCJ's health care expenditures of state funds rose from **\$418.5 million** to **\$538.0 million** from fiscal 2005 to 2009, a **28.6 percent** increase. Its expenditures of other funds rose by **35.9 percent**. In all, TDCJ's health care spending increased by **28.7 percent** over the five-year period (**Exhibits 40 and 41**).

Exhibit 40

Texas Department of Criminal Justice Offender Health Care Expenditures by Method of Finance,

Fiscal 2005-2009 (in millions)

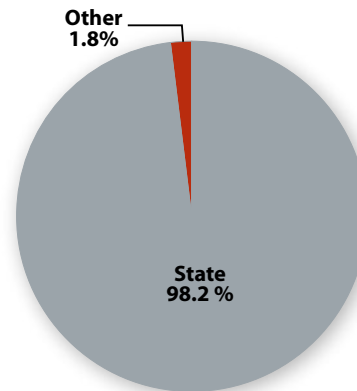


Source: Texas Department of Criminal Justice.

Exhibit 41

Texas Department of Criminal Justice Source of Funds for Health Care Expenditures,

Fiscal 2009



Source: Texas Department of Criminal Justice.

TEXAS YOUTH COMMISSION

The Texas Youth Commission (TYC) partners with youths, families and communities to promote a safe environment for students in its care.²⁸ In 2009, TYC provided **a variety of medical services to a total of 2,259 offenders** in its correctional facilities.²⁹

The agency contracts with UTMB at Galveston for basic medical care including infirmary, emergency and general care services. The facilities in Galveston offer inpatient and outpatient care, dental care, optometry, radiology and lab work. UTMB's arrangement with TYC is a fee-for-service contract.

Beginning in September 2008, TYC contracted with UTMB for all mental health services offered to incarcerated youths. TYC staff members, including dietitians, physicians' assistants and dental aids, collaborate with UTMB's doctors and nurses to offer these services.³⁰

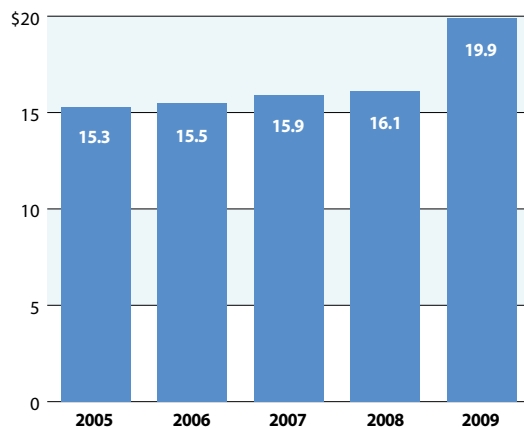
TYC also works with a group of healthcare professionals who hold positions on a board to monitor the delivery of clinical services to youths at its facilities and within communities, and to supervise the contract negotiation process between TYC and UTMB.³¹

State funds finance 100 percent of TYC's health care expenditures. From fiscal 2005 to 2009, these expenditures rose by **30.1 percent**, from **\$15.3 million to \$19.9 million (Exhibit 42)**.

Exhibit 42

Texas Youth Commission Health Care Expenditures by Method of Finance,

Fiscal 2005-2009 (in millions)



Source: Texas Youth Commission.

TEXAS JUVENILE PROBATION COMMISSION

The 1981 Texas Legislature formed the Texas Juvenile Probation Commission (TJPC) to develop a consistent program combining state and local resources to run the state's juvenile probation services. The commission works with local organizations, both public and private, to rehabilitate youth.

TJPC provides both residential and non-residential facilities as well as counseling to reduce the burden on the Texas Youth Commission's duties to house youth. TJPC also provides training, technology, record-keeping and data collection for community organizations participating in the juvenile justice system.

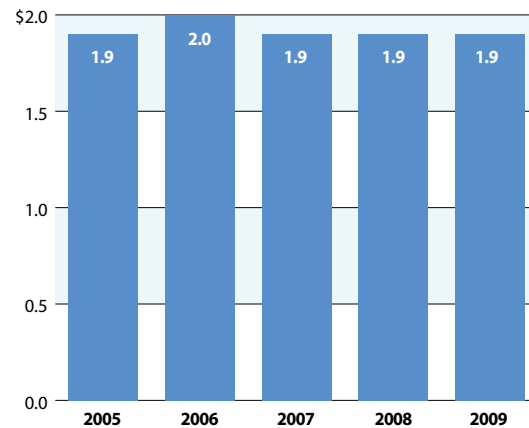
TJPC works with the Texas Correctional Office on Offenders with Medical and Mental Impairments and various mental health mental retardation agencies throughout the state to provide counseling and schooling to juveniles under the supervision of local juvenile probation departments. TJPC also funds the hiring of specialized probation officers to work with offenders who suffer from mental illness.³²

From fiscal 2005 to 2009, TJPC's **health care expenditures** remained reasonably steady. Fiscal 2005 expenditures totaled **\$1.9 million**; after a brief increase in fiscal 2006, they dropped back to **\$1.9 million** and remained at that level through 2009. TJPC's health care services are funded entirely through state dollars (**Exhibit 43**).

Exhibit 43

Texas Juvenile Probation Commission Health Care Expenditures by Method of Finance,

Fiscal 2005-2009 (in millions)



Source: Texas Juvenile Probation Commission.

TEXAS DEPARTMENT OF TRANSPORTATION

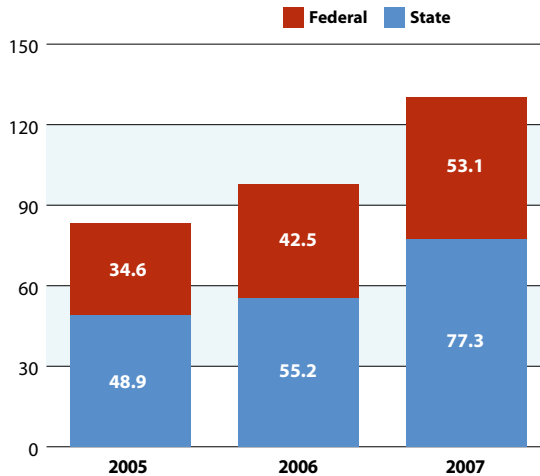
From 2005 through 2007, the Texas Department of Transportation (TxDOT) was responsible for the state **Medical Transportation Program (MTP)**, which provides rides to non-emergency health care services for Medicaid patients and those in the Children with Special Health Care Needs program who otherwise have no access to transportation. TxDOT operated several call centers as well as a central administration office to provide this free service, which uses both public transportation and private vehicles to transport eligible people to their appointments (**Exhibits 44 and 45**).

The 2007 Texas Legislature transferred the MTP from TxDOT to HHSC; due to the subsequent reorganization of health and human services agencies, **DSHS now manages the program**.³³

Exhibit 44

Texas Department of Transportation Medical Transportation Expenditures by Method of Finance,

Fiscal 2005-2007 (in millions)

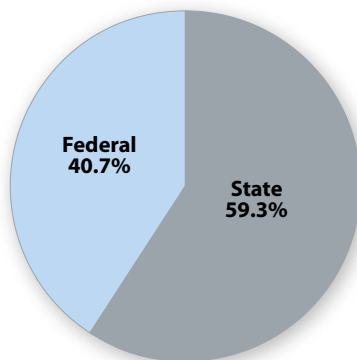


Source: Texas Department of Transportation.

Exhibit 45

Texas Department of Transportation Source of Funds for Health Care Expenditures,

Fiscal 2007



Source: Texas Department of Transportation.

TxDOT Workers' Compensation

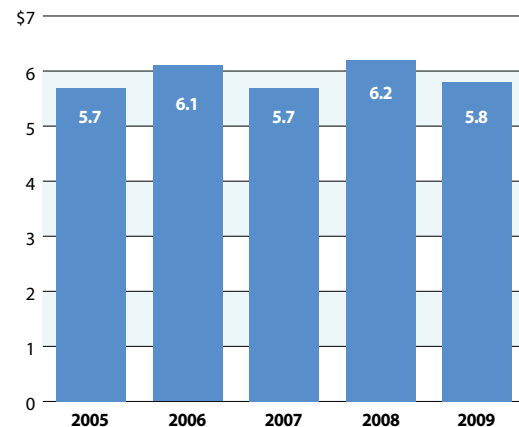
TxDOT instituted workers' compensation insurance coverage for its employees in 1938, many years before other state workers received such coverage. Like the state program, TxDOT's workers' comp program is self-insured. It is administered by the agency's Occupational Safety Division (OCC), which also manages its risk management program.³⁴

The state funds all of TxDOT's workers' compensation costs. From fiscal 2005 to 2009, TxDOT workers' compensation spending averaged around \$6 million annually. Expenditures for fiscal 2009 totaled **\$5.8 million**, a **3.2 percent** increase over 2005's \$5.7 million (**Exhibit 46**).

Exhibit 46

Texas Department of Transportation Workers' Compensation Expenditures by Method of Finance,

Fiscal 2005-2009 (in millions)



Source: Texas Department of Transportation.

TEXAS DEPARTMENT OF RURAL AFFAIRS

The 2001 Legislature created the Texas Department of Rural Affairs (TDRA) to monitor government impacts on rural affairs and the state of health care in small communities, and to develop solutions to various problems facing rural Texas. TDRA's primary focus is economic and community development. Its State Office of Rural Health works to improve access to and the quality of health care in Texas' rural areas.

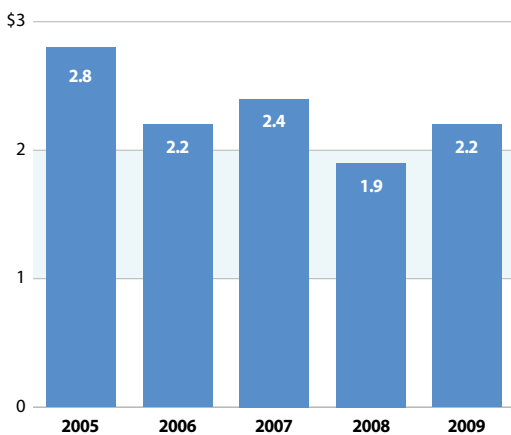
The TDRA-administered **Rural Health Facility Capital Improvement Loan Fund** provides matching grants for the construction of new health care facilities. It also can be used to improve existing facilities and to purchase or update equipment. The program awards grants of up to \$50,000 to the facilities and requires a matching contribution of at least 10 percent of the grant.

TDRA's annual expenditures for this program fell by **24.0 percent** between fiscal 2005 and 2009, from **\$2.8 million** to **\$2.2 million**. Though many of TDRA's programs are funded with federal revenue, the Capital Improvement Loan Fund is financed entirely with state funds (**Exhibits 47**).

Exhibit 47

Capital Improvement Loan Fund Expenditures by Method of Finance,

Fiscal 2005-2009 (in millions)



Source: Texas Department of Rural Affairs.

Another TDRA program, the **Small Rural Hospital Improvement Grant Program**, provides grants of up to \$9,000 for improvements to existing rural hospitals. It also supports efforts to link hospitals' records together to provide readily accessible information on patients. Money from this program also can be used to offer training to healthcare professionals in communities to update their medical practices.³⁵

Endnotes

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